

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of:

DOCKET NO. S-21096A-20-0047

NVSG702, LLC, a Nevada limited liability
company,

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO CEASE
AND DESIST, ORDER FOR RESTITUTION,
ORDER FOR ADMINISTRATIVE
PENALTIES, AND ORDER FOR OTHER
AFFIRMATIVE ACTION**

NVSG702 LLC, a Nevada limited liability
company,SILVERSTATE702, LLC, an unincorporated
entity, andJOHN R. URANGA, an unmarried
individual,

Respondents.

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents NVSG702, LLC, NVSG702 LLC, SilverState702, LLC, and John R. Uranga have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that Uranga is a person controlling the entity respondents within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as these entities for their violations of the antifraud provisions of the Securities Act.

I.**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.**RESPONDENTS**

2. John R. Uranga is an unmarried individual who from 2016 through 2019 resided primarily in Arizona.

3. NVSG702, LLC, is a Nevada entity. It filed articles of organization in Nevada on August 26, 2016. It did not list any members or officers in its articles. Nevada revoked this entity's registration less than five weeks later, on September 30, 2016, because the entity failed to file its annual report.

4. About a year later, on September 20, 2017, NVSG702 LLC—i.e. the same entity name but without a comma—filed articles of organization in Nevada. It did not list any members or officers in its articles. Nevada revoked this entity's registration about six weeks after it filed articles, on October 31, 2017, because the entity failed to file its annual report.

5. Both NVSG702 entities will be collectively referred to as "NVSG702."

6. No entity containing the name "NVSG702" has ever been formed or registered to do business in Arizona.

7. There is no entity formed in Nevada, Arizona, in any other state containing the name "SilverState702."

8. Uranga also occasionally operated under the DBAs "Silver State Consulting," "Grand Canyon Consulting" and "Nevada Sports Gambling Consulting." None of these DBAs are registered in Nevada or Arizona.

9. NVSG702, SilverState702, and Uranga may be referred to collectively as "Respondents."

III.**FACTS**

10. From January 2017 through 2019, Respondents offered and sold investments in the form of membership interests in a sports-betting fund in at least 130 transactions for a total of

1 \$434,317.19 within and from Arizona. Investors paid for their investments via wire transfer, check,
2 cash, PayPal, Venmo, and other consideration.

3 11. Respondents offered and sold these investments to several Arizona residents as well
4 as to non-Arizona residents. The sales to non-Arizona investors occurred when Respondent Uranga
5 was located within Arizona. Uranga made all offers and sales of the investments in both his individual
6 capacity and on behalf of the entity Respondents as he was entity Respondents' sole employee and
7 agent.

8 12. Investors learned of the investment opportunity through Respondents' online
9 solicitations, website, social media posts, and from friends or acquaintances who had invested.

10 13. In exchange for their investment, investors received membership interests in the
11 Respondent entities that entitled them to receive dividends. Several investors received a one-page
12 investor agreement for the designated company, i.e. NVSG702 or SilverState702. The agreement
13 states that the investor is eligible to receive dividends. (As discussed more below, Respondents failed
14 to pay dividends or make any other payments to investors.)

15 14. Respondents described the enterprise to investors and offerees and on social media
16 and their website as a "hedge fund": "Created in 2016 as a start up for Nevada Group wagering aka
17 entity wagering/ hedge fund wagering John Uranga birthed NVSG702/Silverstate702 with the
18 intention of creating a business platform that was similar to the stock market but had hire [sic]
19 dividend payouts."

20 15. Respondents also tell potential investors that: "Entity wagering works similarly to
21 traditional funds. First email support@nvsg702.com Request the company operating agreement fill
22 it out send it back along with state issued ID/License and or passport. Once approved you become a
23 member, and transfer funds to NVSG702/Silverstate702."

24 16. Respondents represented that they would pool investor funds and use the pooled funds
25 to gamble on sports events. After paying taxes and subtracting a fee, Respondents would divide
26 profits between the investors and themselves, paying the investors a dividend. As stated on

1 Respondents' website: "Silverstate investors operate on a month to month basis with dividends
2 paying out after month 3 of the company and every month as requested by investor." Thus, as profits
3 increased or decreased, the fortunes of Respondents and the investors would rise or fall together.

4 17. Investors were not involved in operating the business. The Respondent entities had a
5 sole employee, Uranga, who would make all the investment decisions and operate the business.
6 Respondents told several investors and offerees and posted on Respondents' website that Uranga had
7 inside information on several sports teams that did not show up in the teams' injury reports or other
8 public sources.

9 18. Respondents also represented that "We use highly skilled algorithms that we have
10 built over the years. We take as much guess work out of the mix as possible. We are the top rated
11 gambling firm in America!" The use of the plural "we" is misleading as Uranga is the only employee.
12 Additionally, there is no evidence that Respondents developed or used any sort of algorithm in the
13 few sports-related bets that Uranga placed (described more below) or that any ranking system has
14 named Respondents at all, much less as a top-rated gambling firm.

15 19. Respondents posted pictures on social media representing that they had significant
16 winnings. An October 16, 2018 Instagram post from Uranga is captioned "Killing them with package
17 sales! Thank you alllll [*sic*] for giving me a great life, i [*sic*] hope I'm returning the favor and we all
18 continue to win a lot of \$\$\$\$...." The captioned photo is a PayPal summary chart for an unidentified
19 account that appears to show \$208,062 of deposits from February through October, presumably in
20 2018, the year of the post. However, Nevada gaming records show that Uranga—as an individual,
21 not through an entity as he represented—only placed \$6,560 of legitimate sports bets in 2018 and
22 incurred a net loss of \$2,460 from this activity. Additionally, as discussed more below, during this
23 period Respondents had been banned from online sports gambling and paid no dividends to any
24 investors.

25 20. Other social media posts showed Uranga having large amounts of cash and driving a
26 Ferrari.

1 21. In another social media post, Uranga claimed to own five cars, three houses in three
2 different states, two apartment complexes and several businesses, including two auto body shops, a
3 hotel, a car dealership, six cell phone stores, a pawn shop, a multi-media company, a property
4 management company, and one gun store.

5 22. On October 23, 2018, Uranga bragged in an Instagram post about buying a \$6 million
6 property saying, “Sometimes you just gotta purchase a hotel on a Monday...6 milly milly milly” and
7 posted a picture of the purported sales agreement. The sales agreement is undated and has the names
8 of both the buyer and the seller and most of the property’s address redacted with a red marker. The
9 redaction, however, fails to cover the last letter of the buyer’s name—the letter “g”, which is followed
10 by “LLC”—showing that the buyer is neither Uranga nor any of the entity Respondents.

11 23. In fact, for most of 2017 – 2018, the primary source of deposits in Respondents’ bank
12 accounts was the investor funds described in this Notice. These deposits ranged from as little as \$50
13 to more than \$10,000.

14 24. Several of Respondents’ social media posts solicited investing in the pooled gambling
15 fund. One post stated a minimum investment of \$2,000 was required, that investors receive 70% of
16 the total winnings (after taxes), Respondents receive 30%, that every investor receives an ownership
17 packet, and that the investor can fund the investment via wire transfer or bank deposit. Some of these
18 posts said that the hedge fund had a limited number of spots each quarter, that the quarter’s spots
19 were almost filled or closed, and that investments could be made for the next quarter. In one of these
20 posts, Respondents offered a 10% bonus for referring someone to the company.

21 25. Respondents posted photos of a “Limited Liability Company Charter” for NVSG702,
22 LLC issued by the Nevada Secretary of State stating that the entity’s Articles of Organization were
23 on file with the Nevada Secretary of State as of August 26, 2016. One of these posts, posted on
24 Instagram on July 26, 2018, by Uranga, was captioned “credentials.” Another Instagram post had a
25 picture of the charter and the caption “Registered with the BBB and...incorporated in the state of
26 NEVADA!! There isn’t another business in the industry with my creditials [*sic*]!!!! #Sportsbetting

1 #sportsbook #freeplay #sportsbets #betting #sports #gambling....” Respondents’ posts failed,
2 however, to disclose that NVSG702, LLC had its registration revoked five weeks after the date listed
3 in the charter.

4 26. Several investors and offerees viewed Respondents’ social media posts prior to
5 investing; they relied on Respondents’ representations in those posts when deciding to invest.

6 27. Respondents further represented on their website that they are “Legal and Regulated.”
7 They explain this as follows: “NVSG702/Silverstate is not registered with the Securities and
8 Exchange Commission, nor does it have to be for SB443...The newly passed Senate Bill 443 allows
9 Nevada entities to place sports wagers with funds from their investors.”

10 28. Respondents’ representations that they comply with SB443 and that compliance
11 affects securities regulation are both false. Passed in 2015, SB443 allowed sports pools to accept
12 wagers from an entity if several criteria are met. These criteria include having the entity establish a
13 wagering account with the sports pool, providing the sports pool with valid photo identification for
14 each person entitled to payments from the profits or revenue of the entity showing that the person is
15 at least 21 years old and social security numbers for persons entitled to payments, and providing the
16 entity’s formation documents and all filings with the Nevada Secretary of State. The Nevada law
17 does not exempt entities from federal or state securities regulation regarding raising and use of
18 investor funds and fraud in connection with raising funds. Respondents failed to disclose this fact to
19 investors and offerees. Further, Respondents have never complied with SB443. Respondents did not
20 have an account with a sports pool. Respondent Uranga, as an individual, briefly had access to one
21 sports pool, CG Technologies. The entities were never allowed to use CGT: only Uranga, in his
22 individual capacity, placed a limited number of investments on CGT (where he incurred net losses).
23 However, as discussed more below, in November 2017, CGT barred Uranga and the entity
24 Respondents from gambling with CGT due to false representations and apparent illegal conduct.
25 Another requirement of SB443 is that the entity provide the sports pool with all of the entity’s
26 documents and filings with the Nevada Secretary of State. Had Respondents done this, they would

1 have had to disclose that they never filed an annual report or officers list for the NVSG702 entities,
2 which resulted in the revocation of the entity's registration; SilverState702 was never formed.
3 Finally, Respondents did not receive photo ID or social security numbers from several investors and
4 at least one of the investors was under 21. Because of this, it was impossible for Respondents to
5 comply with SB443. Thus, Respondents' representations of being in compliance with federal
6 securities laws and Nevada law are false.

7 29. Respondents told investors and offerees that their investments would be used for
8 placing bets on sports events.

9 30. In fact, during 2017 and 2018, Respondents used the majority of investor funds for
10 cash withdrawals and purchases consistent with personal expenses.

11 31. In 2017 and 2018, Respondent Uranga used only approximately \$43,000 for
12 potentially legitimate sports gambling. He incurred a net loss from gambling with this money.

13 32. Respondents represented to offerees and investors that Respondents were working
14 with CG Technologies, an online gambling platform, to facilitate sports bets and that this platform
15 was the only legal online, sports-betting platform in the U.S. In fact, only Uranga as an individual
16 used the CGT platform: the Respondent entities were never approved to do any wagering on CGT.
17 On November 7, 2017, CGT sent Respondents a demand letter stating that Respondents had been
18 misappropriating CGT's name and making misrepresentations to investors that Respondents were
19 working with CGT to facilitate what appeared to be illegal activity. The letter stated Respondents
20 well knew that they had no business relationship with CGT. CGT required that Respondents cease
21 and desist from making any representations that they have any business relationship with CGT. CGT
22 closed Uranga's private account and banned Respondents from placing wagers with CGT.

23 33. Respondents posted several posts on social media that described payouts about to
24 come to investors. Respondents have not, however, made any payments to investors.

25 34. On several occasions, investors demanded a return of their money. In these instances,
26 Respondents would string along the investors—sometimes for more than a year—repeatedly

1 promising them that payments would be coming soon or that checks had already been sent. In some
2 instances, Uranga told investors that they needed to contact Respondents' accounting department
3 about their payments. He told one person that he has a separate company that handles accounting. He
4 later told this person that he has two separate companies that handle check payouts and accounting
5 and that the investor should contact the support line. When the investor called the "support line"
6 number that Uranga gave her, no one answered. His representations about an accounting department
7 contradict what he told this investor on an earlier occasion when he said that he is the
8 "accounting/online media team," meaning that she should talk with him about getting her dividends
9 and payments. He told another person that he (Uranga) had issued several payments to several
10 investors, had mailed checks, and would issue checks and payments to the investor soon. The
11 investors, however, did not receive any checks or any payments of any kind from Respondents.
12 Additionally, Respondents' representations about having an accounting department are false. In fact,
13 Respondents have no other employees and Uranga does not own and is not affiliated with any
14 accounting companies.

15 35. Respondents failed to inform later investors and offerees that Respondents made no
16 payments to previous investors.

17 IV.

18 VIOLATION OF A.R.S. § 44-1841

19 (Offer or Sale of Unregistered Securities)

20 36. From on or about January 1, 2017, Respondents offered or sold securities in the form of
21 investment contracts, within or from Arizona.

22 37. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
23 Securities Act.

24 38. This conduct violates A.R.S. § 44-1841.
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V.

VIOLATION OF A.R.S. § 44-1842**(Transactions by Unregistered Dealers or Salesmen)**

39. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

40. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991**(Fraud in Connection with the Offer or Sale of Securities)**

41. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Representing to investors and offerees that investor funds would be used for legal sports gambling, then spending the majority of funds on personal expenses and cash withdrawals;

b) Representing to investors and offerees that Respondents were running a profitable, sports gambling hedge fund when in fact only Respondent Uranga, as an individual, engaged in a minimal amount of sports betting and lost money on this gambling;

c) Representing to investors and offerees that they would receive payments on their investments without disclosing that Respondents had failed to pay all prior investors;

d) Representing to investors and offerees that the entity Respondents were duly formed and licensed in Nevada when in fact both NVSG702 entities had their registration revoked within weeks of formation, SilverState702 was never formed as an entity, and none of Respondents' DBAs were registered;

1 e) Representing that Respondents were in compliance with Nevada law SB443 and
2 were not obligated to register under federal securities laws when in fact SB443 does not exempt any
3 parties from federal or state securities laws and, at any rate, Respondents were not in compliance with
4 SB443.

5 42. This conduct violates A.R.S. § 44-1991.

6 VII.

7 CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

8 43. From at least August 2016 through at least December 2019, Uranga has directly or
9 indirectly controlled NVSG702 and SilverState702 within the meaning of A.R.S. § 44-1999.
10 Therefore, Uranga is jointly and severally liable to the same extent as these entities for their violations
11 of A.R.S. § 44-1991.

12 VIII.

13 REQUESTED RELIEF

14 The Division requests that the Commission grant the following relief:

15 1. Order Respondents to permanently cease and desist from violating the Securities Act,
16 pursuant to A.R.S. § 44-2032;

17 2. Order Respondents to take affirmative action to correct the conditions resulting from
18 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
19 A.R.S. § 44-2032;

20 3. Order Respondents to pay the state of Arizona administrative penalties of up to \$5,000
21 for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

22 4. Order any other relief that the Commission deems appropriate.

23 IX.

24 HEARING OPPORTUNITY

25 Each Respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

26 **If a Respondent requests a hearing, the requesting respondent must also answer this Notice. A**

1 request for hearing must be in writing and received by the Commission within 10 business days after
2 service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the
3 request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
4 85007. Filing instructions may be obtained from Docket Control by calling (602)542-3477 or on the
5 Commission's website at www.azcc.gov/hearing.

6 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20
7 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or
8 ordered by the Commission. If a request for a hearing is not timely made the Commission may, without
9 a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for
10 Hearing.

11 Persons with a disability may request a reasonable accommodation such as a sign language
12 interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,
13 ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov. Requests should
14 be made as early as possible to allow time to arrange the accommodation. Additional information
15 about the administrative action procedure may be found at
16 www.azcc.gov/securities/enforcement/procedure.

17 X.

18 ANSWER REQUIREMENT

19 Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting Respondent
20 must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona
21 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days
22 after the date of service of this Notice. Filing instructions may be obtained from Docket Control by
23 calling (602)542-3477 or on the Commission's website at
24 <http://www.azcc.gov/divisions/hearings/docket.asp>.

25 Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant
26 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a

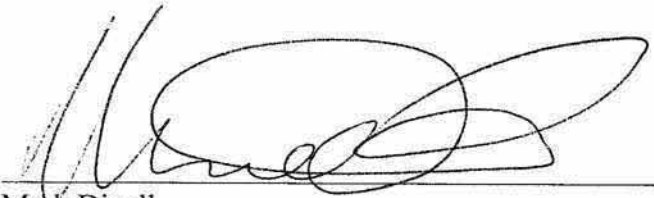
1 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
2 addressed to Ryan Millecam.

3 The Answer shall contain an admission or denial of each allegation in this Notice and the
4 original signature of the answering respondent or respondent's attorney. A statement of a lack of
5 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
6 denied shall be considered admitted.

7 When the answering Respondent intends in good faith to deny only a part or a qualification
8 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
9 admit the remainder. Respondents waive any affirmative defense not raised in the Answer.

10 The officer presiding over the hearing may grant relief from the requirement to file an Answer
11 for good cause shown.

12 Dated this 11th day of March, 2020.

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15 Mark Dinell
16 Director of Securities
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